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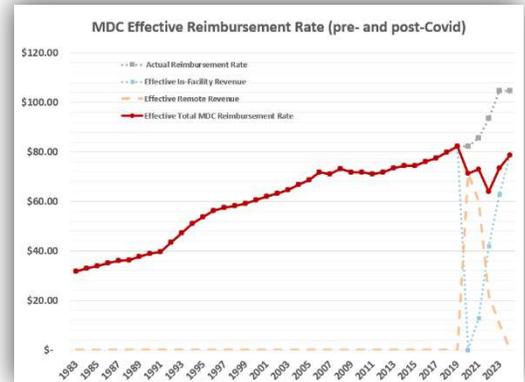
Honorable Council members,

On behalf of Montgomery County Adult Medical Day Care Coalition, whose members provide multicultural and socially appropriate medical day care services to over 1,500 elderly and disabled adults in our County on daily basis, we like to thank you and the County Executive for your support throughout the covid pandemic, and for your continued commitment to ensure viability of such essential services in the future.

As you know, Adult Medical Day Care (AMDC) are primarily Medicaid providers and as such are prohibited from passing along any increased costs of operations (such as those associated with the County minimum wage increase or the recent historic inflation) to their participants. AMDCs also cannot set their own Medicaid rates, and thus depend entirely on the State and County for sufficient funding to deliver care to our most vulnerable populations. That is why in 2017, when the Council decided to increase the County's minimum wage to above that of the State's minimum wage, a budget line-item was created to provide supplemental funding to help ensure that Montgomery County AMDCs can continue to function and deliver care and support to our growing aging and disabled population.

The County Executive's FY24 Budget includes a 2% increase over the FY23 amount. **We request that the County Council support this increase and consider it as "high priority" as it is essential for AMDC operations.**

Although Covid pandemic seems to be over, the impact of Covid on healthcare institutions is quite vivid and present, and expected to take a few more years before reaching pre-Covid conditions. At the present time, despite the demand for services, the average AMDC attendance across the State as well as Montgomery County has only reached 65% pre-Covid levels. And because AMDC business model is highly volume-dependent, reduction in attendance results in a direct reduction in overall revenue. So, even though AMDC reimbursement rate for daily care has increased, the reduction in attendance has prevented our revenue to increase. AMDCs are currently facing the challenge of earning pre-2019 revenues while facing 2023 expenses! Therefore, the FY24 financial forecast for AMDCs is quite uncertain and unprecedented.



Unfortunately, this Covid-related reduction in revenue is happening at the same time as the industry is facing historic increases in operating costs (associated with increased labor costs as well as double-digit inflationary increases in cost of goods, food, fuel, insurance and transportation, etc.), thus setting up a perfect-storm condition, which without support from the State and the County will not be sustainable.

It's very important to also note that AMDCs are facing significant challenges in funding from the State. Maryland Department of Health (MDH) has recently notified the industry that due to the end of the Public Health Emergency (PHE) (end of April), AMDC centers will no longer be able to receive an administrative rate for providing remote services to clients. This amounts to a potential reduction of 15% to 20% revenue for some centers. At the same time, the expected 8% provider rate increase associated with Governor's plan to accelerate State minimum wage to \$15 will not take effect until January 1, 2024.

**As a result, AMDCs will not receive any increase in Medicaid reimbursement rate in calendar year 2023**, and are facing a potential drop of 15% to 20%! due to ending of PHE.

The **reduced attendance rate**, the **elimination of the administrative fee**, and the **delay in the provider rate increase** will make it unsustainable for many AMDCs to operate in the post-covid era, where both inflation and labor rates are at historic highs. We are trying to work with the State to extend the admin rate for 6 months beyond the PHE, but that is a work-in-progress and we don't know as of today what the outcome of our requests will be.

Given the extremely difficult situation that AMDCs are placed in and the exceptionally challenging funding situation for FY24, we very much appreciate the HHS Committee to support the County Executive's proposed AMDC supplement budget line item and the associated 2% increase for FY24. This funding helps offset the labor cost differential between the State minimum wage and that of the County minimum wage. This supplement has been essential for medical day cares over the past few years as the County's minimum wage has grown and remains above that of the State's.

As you are all aware, AMDCs are very different than regular businesses:

1. Medicaid rules prohibit AMDCs from charging additional fees to its recipients. This is a sharp contrast from other businesses that simply can pass the additional operating costs onto consumers.
2. State licensing regulations prohibit AMDCs from reducing staff or limiting services due to staffing ratio and other requirements. Again, this is in sharp contrast to other businesses that have the ability to adjust their staffing costs and process efficiencies.
3. Medicaid pays all AMDCs across the State a single flat fee for a day of service provided to a qualified participant (regardless of which county they serve). This places the Montgomery County AMDCs in a significant disadvantage because the cost of providing services and operating a business in our county is much higher than other counties.
4. Medicaid has chronically underfunded AMDCs over the past decade, resulting in AMDCs being stretched as far as they could to survive.
5. AMDCs are the only alternative to nursing home placement or in-home care for our aged or disabled residents. They are the only venue that provides culturally-diverse services to adults and disabled individuals that alleviate social isolation, provide respite care for caregivers, while addressing transportation, nutrition, medical, and physical and cognitive activities.
6. AMDC services span all age groups (16 years and older) and cater to adults, seniors, and individuals with Developmental Disabilities.
7. Not supporting AMDCs will leave a significant deficiency in the County's ability to provide care for the growing population of fragile elderly and disabled adults.

**Therefore, we respectfully request that the Council strongly support the AMDC supplement and the proposed 2% increase for the FY24 budget as a High Priority line item.**

Additional support documents and presentations have been provided to Council Staff. We will be more than happy to address any questions or data needs shall they be needed.

Thank you so much for your service to the community.

Afshin Abedi, Ph.D.

President

**Montgomery County Medical Day Care Coalition**

Immediate Past President

**Maryland Association of Adult Day Services (MAADS)**